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In The

Supreme Court of the United States

STATE OF FLORIDA, FLORIDA DEPARTMENT OF TRANSPORTATION, RECCHI AMERICA, INC., THE MURPHY CONSTRUCTION COMPANY, THE HARDAWAY COMPANY, HUBBARD CONSTRUCTION COMPANY, BALFOUR BEATTY CONSTRUCTION, INC., COMMUNITY ASPHALT CORPORATION, and JOELSON CONCRETE PIPE COMPANY, INC.,

Petitioners,

v.

STATE CONTRACTING & ENGINEERING CORPORATION and STATE PAVING CORPORATION,

Respondents.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

REPLY TO BRIEF IN OPPOSITION

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ARGUMENT IN REPLY

This case is worthy of this Court's attention. First, Petitioners, including the State of Florida, face a $65,000,000 liability as a result of the Federal Circuit's reversal of the district court. State Paving's suggestion that the State of Florida has no further interest in this case is grossly misleading. As State Paving well knows, even though FDOT prevailed on its sovereign immunity claims, it still has the ultimate exposure in this case because of its contractual obligation to indemnify the subcontractors against any liability to State Paving. Moreover, FDOT is also being sued by State Paving in a parallel state court "takings" claim brought under the authority of *Jacobs Wind Elec. Co. v. Florida Dept. of Transp.*, 919 F.2d 726 (Fed. Cir. 1990). *See State Contracting & Engineering Corp. v. State of Florida, Florida Dept. of Transp.*, Case No. 98006566 (17th Cir. Broward County, FL). This "takings" claim is based on the same claim of patent infringement at issue in this case.

State Paving next attempts to argue that the decision has no significance beyond the parties to this case. As pointed out in the Petition, the VECP provisions appearing in FDOT's standard specifications for road and bridge construction are commonplace in state and federal contracting. *See* Petition at 13-14 (citing cases where similar language appears). This is because FDOT's standard VECP specifications are based largely on government procurement regulations concerning the federal government's right to utilize data developed by contractors performing government projects. *See, e.g.*, 48 C.F.R. Section

252.227-7013(a)(15). Many states utilize this language in their standard contracts.[1]

The best State Paving can do in this regard is to suggest that the language in Section 252.227-7013(a)(15) is distinguishable from the language utilized by FDOT in its VECP contracts. A direct comparison of the federal regulation and FDOT's contract provision demonstrates the fallacy in this argument. 48 C.F.R. Section 252.227-7013(a)(15) provides:

> *Unlimited rights* means rights to use, modify, reproduce, perform, display, release, or disclose technical data in whole or in part, in any manner, and for any purpose whatsoever, and to have or authorize others to do so.

The provision at issue in FDOT's standard specifications is substantively identical:

> In the event of acceptance of a VECP, the contractor hereby grants to the department all rights to use, duplicate or disclose, in whole or

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[1] The contract language used by FDOT was taken from the U.S. Department of Transportation's "Standard Specifications for Construction of Roads and Bridges on Federal Highway Projects" at Section 103.03 ("Value Engineering") *available at* http://www.wfl.fha.dot.gov/design/specs/Metric/Fp96___Met.pdf. Federal regulations require states to adopt value engineering programs for all federal-aid highway projects. 28 C.F.R. § 627.5. Attached to this Reply Brief is a survey of websites published by state transportation agencies that use contract language identical or similar to that adopted by FDOT. Each of these states, and perhaps others, are now exposed to patent infringement liability as a result of the Federal Circuit's decision. *See* Addendum, "Survey of State Transportation Agency Websites."

> in part, in any manner and for any purpose whatsoever, and to have or to permit others to do so data reasonably necessary to fully utilize such proposal on this and any other department contract.

VECP Section 4-3.5.8

State Paving offers no argument in support of the purported distinction between the two clauses. Nor could it. Both the regulation and FDOT's statutory provision convey the rights to use, duplicate,[2] or disclose data for any purpose whatsoever. As discussed in the petition, this language is broad enough to convey a license in any intellectual property interest the grantor may have in the technical data. *See Ofria v. Commissioner of Internal Revenue*, 77 T.C. 524, 538 (1981).[3] *See also Rockwell International Corp. v. United States*, 31 Fed. Claims 70, 80 (1994) (finding that "unlimited rights in data would permit the government to do essentially anything it wanted with the information including dissemination of it to third parties, use for reproduction, etc.").

Until the Federal Circuit decision below, no court had held that the broad language appearing in Section

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[2] FDOT uses the word "duplicate" while Section 252.227-7013(a)(15) uses the word "reproduce."

[3] State Paving attempts to make much of the fact that the tax court found the intellectual property at issue to be taxable as unpatented technology under Section 1221 of the IRS Code instead of patented property under Section 1235. The point of the *Ofria* case is that the language at issue transferred any and all intellectual property rights. The property was taxable as unpatented technology solely because the court found that the property was unpatentable. *Ofria*, 77 T.C. at 539.

252.227-7013(a)(15) was not sufficient to convey a license in all intellectual property rights including patent rights. With the Federal Circuit's decision, the landscape has changed dramatically. As discussed in the Petition, absent intervention by this Court, the federal government and the states may face untold liability for heretofore unanticipated patent claims.

The Federal Circuit's Decision Improperly Imposes Federal Limits On State Contract Law

This case is not a mere matter of contract interpretation. Although Florida contract law applies to patent licenses, the Federal Circuit did not cite a single Florida case in the relevant portion of its opinion. This omission is no accident. There is no Florida case standing for the proposition that "all rights" means all intellectual property rights except for patent rights.

Instead, misreading *Aronson*[4] and *Kewanee Oil*,[5] the Federal Circuit put a distinctly federal gloss on what should have been a routine state court contract decision. Petitioners lost because its VECP provision did not use the word "patent" despite the otherwise all-inclusive language. As the Federal Circuit observed: "most significantly the section did not explicitly convey any patent rights . . . " (App. 19).

Whether federal law limits the definition of "all rights" by requiring a specific reference to a patent to convey a patent license is an important question with

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[4] *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 266 (1979).

[5] *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 493 (1974).

enormous ramifications in state and federal government contracting. This Court should grant certiorari to review the decision of the Federal Circuit and to address the important issue presented.

Respectfully submitted,

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ADDENDUM

SURVEY OF STATE TRANSPORTATION AGENCY WEBSITES

ALABAMA § 104.08(b)(5) (" . . . The Department shall have the right to use, duplicate, and disclose in whole or in part any data necessary for the utilization of the proposal. The Department retains the right to utilize any accepted proposal or part thereof on any other or subsequent projects without any obligation to the Contractor. This provision is not intended to deny rights provided by law with respect to patented materials or processes.") *available at* http://www.dot.state.al.us/Bureau/Construction/Spec2001/Spec_Book_Frames.html.

ALASKA § 104-1.06(3)(b) (" . . . The Department will have the right to use, duplicate, and disclose any data necessary for the utilization of the proposal on this or other projects without obligation to the Contractor unless the Contractor identifies certain parts of the proposal as Restricted Use. This provision is intended to protect trade secrets, bidding and pricing methods, and rights provided by law with respect to patented designs, materials or processes.") *available at* http://dot.state.ak.us/.

CALIFORNIA § 5-1.14 ("The Department expressly reserves the right to adopt a cost reduction proposal for general use on contracts administered by the Department when it determines that the proposal is suitable for application to other contracts. . . . ") *available at* http://www.dot.ca.gov/hq/esc/oe/specifications/std_specs/1999_StdSpecs/99StdSpecs.pdf.

CONNECTICUT Specification (Value Engineering Incentive) – For Construction Contracts, Conditions (2): (" . . . The Department will have the right to use, duplicate, and disclose in whole or in part any data necessary for the utilization of the proposal. The Department will have the right to utilize any accepted proposal or part thereof on any other or subsequent projects without any obligation to the Contractor. This provision is not intended to deny rights provided by law with respect to patented materials or processes.") *available at* http://www.dot.state.ct.us/BUREAU/eh/ehcn/road/ve.htm.

DISTRICT OF COLUMBIA § 104.03(F) (" . . . When this proposal is accepted by the Contracting Officer, the District shall have the right to duplicate, use, and disclose any data in any manner and for any purpose whatsoever, and have others do so whether under this or any other District Contract.") *available at* http://ddot.dc.gov/information/standards/index.shtm.

HAWAII § 105.19(7) (" . . . The Department shall not reveal, duplicate or use for purposes other than to evaluate the data in connection with a value engineering incentive proposal. This restriction does not limit the State's right to use this data if the data is available from another source. The Department has the right to use, reveal, permit others to use, duplicate and reveal the accepted VECP.") *available at* http://www.state.hi.us/dot/highways/specs94/specs/specspdf/105.pdf.

IOWA § 1105.15 ("The Contracting Authority reserves the right to adopt a Value Engineering Incentive Proposal for general use on contracts administered by the Contracting Authority when it determines that an incentive

proposal is suitable for application to other contracts. . . . Subject to the provisions contained herein, the State or any other public agency will have the right to use all or any part of any submitted incentive proposal without obligation or compensation of any kind to the Contractor.") *available at* http://www2.state.ia.us/dot/specifications/Oct_2001/01001/frames.htm.

KENTUCKY § 111.03.02 ("The Department's approval of a value engineering proposal voids any restrictions that the Contractor had imposed on the use or disclosure of the information that the Contractor included in the value engineering proposal, and the Department then has the right to use, duplicate, and disclose, in whole or in part, any data necessary to implement any portion of the proposal on this project and all other Department projects.") *available at* http://www.kytc.state.ky.us/construction/Spec2000/pdf/spec/division100.pdf.

LOUISIANA § 105.19(h) ("The Department reserves the right to adopt a VE Proposal for general use when it determines that said proposal is suitable for application to other contracts. . . . Subject to the provisions contained herein, the State or any other public agency shall have the right to use all or any part of any submitted VE Proposal without obligation or compensation of any kind to the contractor.") *available at* http://www2.dotd.state.la.us/highways/project_devel/contractspecs/Part_I.pdf.

MARYLAND § TC-2.03 ("The Administration expressly reserves the right to adopt a VECP for general use in Contracts administered by the Administration when it determines that the proposal is suitable for application to

other Contracts. . . . Subject to these provisions, the Administration or any other public agency will have the right to use all or part of any accepted VECP on other projects without obligation or compensation of any kind to the Contractor.") *available at* http://www.sha.state.md.us/ohd/hdd/specifications/Start.pdf.

MINNESOTA § 1408 ("Upon acceptance of a cost reduction proposal, any restrictions imposed by the Contractor on its use or disclosure of the information submitted shall be void, and the Department shall thereafter have the right to use, duplicate, and disclose in whole or in part any data necessary to use the proposal.") *available at* http://www.dot.state.mn.us/tecsup/spec/2d1/k1401.pdf.

MISSOURI § 104.6.9 ("The Commission expressly reserves the right to adopt a value engineering proposal for general use on contracts administered by the Commission if it determines that said proposal is suitable for application to other contracts. . . . ") *available at* http://www.modot.state.mo.us/design/specbook/spec.htm.

NEBRASKA § 104.03(8) ("The Department expressly reserves the right to adopt a VEP for general use in its contracts. . . . ") *available at* http://www.dor.state.ne.us/ref-man/specbookm/100/100-m40.pdf.

NEW HAMPSHIRE § 104.15(C)(1) ("VE proposals, approved or not approved by the Department, apply only to the ongoing Contract(s) referenced in the Proposal and become the property of the Department. The VE Proposal(s) shall contain no restrictions imposed by the Contractor on their use or disclosure. The Department has the right to use, duplicate and disclose in whole or in part any data necessary for the utilization of the VE Proposal.

The Department retains the right to utilize any accepted VE Proposal or part thereof on any other or subsequent projects without any obligation to the Contractor. This provision is not intended to deny rights provided by law with respect to patented materials or processes.") *available at* http://webster.state.nh.us/dot/specifications/specifications.htm.

NEW JERSEY § 104.11(4)(b) (" . . . The proposals shall become the property of the Department and shall contain no restrictions imposed by the Contractor on their use or disclosure. The Department will have the right to use, duplicate, and disclose in whole or in part any data necessary for the utilization of the proposal. The Department retains the right to use any accepted proposal or part thereof on any other or subsequent project without any obligation to the Contractor. This provision is not intended to deny rights provided by law with respect to patented materials or processes.") *available at* http://www.state.nj.us/transportation/cpm/StandardSpecifications/MSPEC100.doc.

NEW YORK § 111-02(D)(1) (" . . . The Department will have the right to use, duplicate and disclose in whole or in part any data necessary for the utilization of the VECP. The Department retains the right to utilize any accepted VECP or part thereof on any other project without any obligation to the Contractor submitting the same.") *available at* http://www.dot.state.ny.us/specs/files/add1_100.pdf.

NORTH CAROLINA § 104-12 ("Upon execution of the Supplemental Agreement, the Department will thereafter have the right to use, duplicate or disclose in whole or in

part any data necessary for utilization of the modification on other projects without obligation or compensation of any kind to the Contractor. Restrictions or conditions imposed by the Contractor for use of the proposal on other projects shall not be valid.") *available at* http://www.doh.dot.state.nc.us/preconstruct/highway/dsn___srvc/specifications/dual/Division1.pdf.

NORTH DAKOTA § 104.08(F) (" . . . If the proposal is accepted, this restriction shall be void and the Department may use, duplicate, or disclose in whole or in part any data necessary to utilize the proposal.") *available at* http://www.state.nd.us/dot/docs/spec1tag.pdf.

OHIO Guidelines for Value Engineering Change Proposals, Proposal Process/Conditions (2) (" . . . All VECP proposals shall become the property of the Department and shall contain no restrictions imposed by the contractor on their use or disclosure. The Department will have the right to use, duplicate, and disclose in whole or in part any data necessary for the utilization of the proposal. The Department retains the right to use any accepted VECP or part thereof on any other or subsequent project without any obligation to the contractor. This provision is not intended to deny rights provided by law with respect to patented materials or processes.") *available at* http://www.dot.state.oh.us/construction/OCA/Specs/PN/Docs/104.pdf.

OREGON § 00140.70(f) ("Rights to General Use – The Department reserves the right to adopt a cost reduction proposal for general use on contracts when it determines

that a proposal is suitable for application to other contracts.") *available at* http://www.odot.state.or.us/techserv/roadway/specs/96book/PART0100.pdf.

PENNSYLVANIA § 104.04 (" . . . Except as specified, the Department, or any other public agency, will have the right to use all or any part of any submitted value engineering proposal, without obligation or compensation of any kind.") *available at* ftp://ftp.dot.state.pa.us/public/pdf/Pub408Change7/Section 100/Section 104.pdf.

SOUTH CAROLINA Supplemental Specifications, Value Engineering Proposal ("Upon execution of the Supplemental Agreement, the Department will thereafter have the right to use, duplicate or disclose in whole or in part any data necessary for utilization of the modification on other projects without obligation or compensation of any kind to the Contractor. Restrictions or conditions imposed by the Contractor for use of proposal on other projects shall not be valid.") *available at* http://www.dot.state.sc.us/new%20internet%20folder/new%20internet/doing/supspecs.html.

SOUTH DAKOTA § 4.7(C)(F) ("If the proposal is accepted this restriction will be void and the Department may use, duplicate, or disclose in whole or in part data necessary to utilize such proposal.") *available at* http://www.sddot.com/Operations/Specifications/specbook-_div1.htm.

TEXAS Special Provision to Item 4, Standard Specifications, Article 4.8.(4) (" . . . The Department expressly reserves the right to adopt a VECP for general use in other contracts administered by the Department when and if it determines that said proposal is suitable for

application on other contracts. . . . ") *available at* ftp://ftp.dot.state.tx.us/pub/txdot-info/cmd/cserve/specs/1995/prov/mp004003.pdf.

UTAH § 1.21(A)(1) (" . . . The Department may duplicate or disclose any data necessary to use the proposal. . . . The Department can apply a proposal for general use on other Contracts it administers. . . . The purpose of this provision is to ensure legal right with respect to patented materials or processes.") *available at* http://www.dot.state.ut.us/esd/specbook/CSIFiles/00725.wpd.

WEST VIRGINIA § 104.12 ("The Division expressly reserves the right to adopt a VEP for general use in contracts administered by the Division when it determines the VEP is suitable for application to other contracts without obligation or compensation of any kind to the Contractor.") *available at* http://www.wvdot.com/engineering/Specifications/2001/Y2KSpecB.pdf.